
**Health Education Authority
of Louisiana**

Financial Statements

June 30, 2019

Health Education Authority of Louisiana

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Independent Auditor's Report

To the Board of Commissioners
Health Education Authority of Louisiana
Baton Rouge, Louisiana

We were engaged to audit the accompanying financial statements of the business-type activities of the Health Education Authority of Louisiana ("HEAL"), a component unit of the State of Louisiana, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise HEAL's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on conducting the audit in accordance with auditing standards generally accepted in the United States of America. Because of the matters described in the basis for disclaimer of opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

Based upon the audit procedures performed, we have detected revenues earned by HEAL and expenses incurred by HEAL may not have been recorded to the accounting records. The trial balance contained numerous inconsistencies within account balances, including: cash, receivables, payables, net position, revenues, and expenses. We were unable to confirm or verify by alternative means the account balances and cannot determine whether any adjustments might have been found necessary in respect of recorded or unrecorded transactions and the elements making up the statement of net position; statement of revenues, expenses, and changes in net position; and statement of cash flows.

Opinions

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of HEAL as of and for the year ended June 30, 2019. Accordingly, we do not express an opinion on these financial statements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis; schedule of employer's proportionate share of the total collective OPEB liability; schedule of employer's proportionate share of net pension liability; and schedule of employer's pension contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

Management has omitted Management's Discussion and Analysis. Our opinion on the basic financial statements is not affected by this missing information.

We have applied certain limited procedures to the employer's proportionate share of the total collective OPEB liability; schedule of employer's proportionate share of net pension liability; and schedule of employer's pension contributions in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 4, 2021, on our consideration of the Health Education Authority of Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Health Education Authority of Louisiana's internal control over financial reporting and compliance.



Covington, Louisiana
May 4, 2021

Financial Statements

Health Education Authority of Louisiana
Statement of Net Position
June 30, 2019

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

Current Assets

Cash and cash equivalents	\$ 115,737
Certificates of deposit	1,379,554
	<u>1,495,291</u>

Deferred Outflows of Resources

Deferred outflows related to pension plan	5,396
	<u>\$ 1,500,687</u>

**LIABILITIES, DEFERRED INFLOWS OF
RESOURCES, AND NET POSITION**

Current Liabilities

Accounts payable	\$ (2,011)
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Noncurrent Liabilities

Net pension liability	233,173
Other post-employment benefits obligation	166,697
	<u>399,870</u>
	397,859

Deferred Inflows of Resources

Deferred inflows related to pension plan	2,615
Deferred inflows related to post-employment benefits plan	61,659
	<u>64,274</u>

Net Position

Unrestricted	1,038,554
	<u>\$ 1,500,687</u>

Health Education Authority of Louisiana
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2019

Revenues

Parking garage rental fees	\$	-
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Expenses

Salaries and benefits	25,982
Changes in pension valuation	(376,753)
Changes in OPEB valuation	(9,021)
Legal and professional services	1,561
Office expenses	2,240
Equipment lease	1,041
Depreciation	1,053
	<u>(353,897)</u>
Operating income	353,897

Other Revenue

Interest income	<u>9,180</u>
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Change in net assets	363,077
Net position, beginning of year	<u>675,477</u>
Net position, end of year	<u><u>\$ 1,038,554</u></u>

Health Education Authority of Louisiana
Statement of Cash Flows
For the Year Ended June 30, 2019

Cash Flows From Operating Activities

Receipts:

Cash received from customers	\$ 14,508
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Disbursements:

Payments to suppliers for goods and services	(467,994)
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Payments to employees for services	(36,635)
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Net cash used in operating activities	<u>(490,121)</u>
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Cash Flows From Investing Activities

Net purchases and maturities of certificates of deposit	(14,918)
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Interest income	9,180
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Net cash used in investing activities	<u>(5,738)</u>
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Net change in cash and cash equivalents	(495,859)
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Cash and cash equivalents, beginning balance	348,879
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Cash and cash equivalents, ending balance	<u>\$ (146,980)</u>
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Reconciliation of Operating Income to Net Cash

Used in Operating Activities

Operating income	\$ 353,897
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Adjustments to reconcile operating income to net

cash used in operating activities

Depreciation	1,053
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Change in:

Receivables	14,508
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Deferred outflows of resources - pensions	68,086
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Accounts payable	(460,480)
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Accrued expenses	(2,672)
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Accrued compensated absences	(10,653)
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Pension liability	(396,380)
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Other post-employment benefits obligation	(53,423)
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Deferred inflows of resources - pensions	(48,459)
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Deferred inflows of resources - OPEB	44,402
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Net cash used in operating activities	<u>\$ (490,121)</u>
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Health Education Authority of Louisiana

Notes to Financial Statements

1. History and Summary of Significant Accounting Policies

Nature of Operations

The Health Education Authority of Louisiana (“HEAL”) was created in 1968 in an effort to develop the medical corridor within a 10-mile radius of the Medical Center of Louisiana at New Orleans (MCLNO), formerly Charity Hospital. HEAL is a corporate and public body and an instrumentality of the State of Louisiana exercising public and essential governmental functions. It was created by Act 112 of the 1968 Regular Session of the Legislature and operates under said Act, as amended, which now appears as Louisiana Revised Statutes (R.S.) 17:3051-3060. HEAL is governed by a Board of Trustees consisting of the governor as ex officio trustee and 13 members selected pursuant to the requirements for membership contained in Act 112.

HEAL’s primary mission is to plan, acquire, and/or construct facilities within a 10-mile radius of the MCLNO and provide for financing, usually through revenue bonds, of such projects. HEAL may incur debt and issue bonds for the LSU Health Sciences Center in Shreveport, Louisiana. HEAL is also responsible for the operation of a parking garage located in New Orleans, Louisiana.

HEAL is a party to a multi-party lease operating agreement with the State of Louisiana, APCOA LaSalle Parking Company, LLC, and Tulane Educational Fund that resulted in the construction and operation of a parking garage located at 300 LaSalle Street, New Orleans, Louisiana. The garage construction was funded by bonds issued by HEAL and financed by net revenues derived from the operations of the parking garage. These financial statements do not include financial transactions, assets, or obligations related to the bonds issued by HEAL for the construction and operations of the parking garage. The accompanying financial statements present information only related to the operating activities of HEAL arising from the fees received from the parking garage operations and HEAL’s operating expenses.

During the 2016 Regular Legislative Session, HEAL’s enabling legislation was amended by Act 577 (Act), which became effective August 1, 2016. Per the Act, HEAL was transferred from the Louisiana Department of Health (LDH) to the Department of Education and placed under the Board of Regents to operate under its own authority. As a result, the employees who carry out the functions of HEAL ceased being employees of LDH and are employees of HEAL beginning the 2017 fiscal year. Act 577 also expanded HEAL’s primary service area from a 10-mile radius in New Orleans and Shreveport to include communities where graduate medical education is offered, changes the composition of HEAL’s board of trustees, and expands HEAL’s bonding authority from \$400 million to \$800 million dollars.

Basis of Presentation

The Governmental Accounting Standards Board (GASB) promulgates accounting principles generally accepted in the United States of America and reporting standards for state and local governments. These principles are found in the *Codification of Governmental Accounting and Financial Reporting Standards*, published by GASB. The accompanying financial statements have been prepared in accordance with such principles.

Health Education Authority of Louisiana

Notes to Financial Statements

Reporting Entity

GASB Codification Section 2100 has defined the governmental reporting entity to be the State of Louisiana. HEAL is considered a component unit of the State of Louisiana because the state exercises oversight responsibility in that the governor appoints a majority of the board members, and HEAL primarily serves state residents. The accompanying financial statements present only the activity of HEAL. Annually, the State of Louisiana issues a comprehensive financial report, which includes the activity contained in the accompanying financial statements. The financial statements are audited by the Louisiana Legislative Auditor.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

For financial reporting purposes, HEAL is considered a special-purpose government engaged only in business-type activities. All activities of HEAL are accounted for within a single proprietary (enterprise) fund.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The transactions of HEAL are accounted for using the economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the Statement of Net Position.

Under the full accrual basis, revenues are recognized in the accounting period when they are earned, and expenses are recognized when the related liability is incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and/or producing and delivering goods in connection with HEAL's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The principal operating revenues of HEAL consist of revenues derived from parking garage operations. Operating expenses include administrative expenses.

Net Position

The statement of net position reports net position as the difference between all other elements in a statement of net position and should be displayed in three components—net investment in capital assets, restricted net position (distinguishing between major categories of restrictions), and unrestricted net position.

- Net Investment in Capital Assets - Consists of capital assets including restricted capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted - Consists of amounts with constraints placed on the use by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- Unrestricted - All other amounts that do not meet the definition of "restricted" or "net investment in capital assets."

When both restricted and unrestricted resources are available for use, it is HEAL's policy to use restricted resources first, then unrestricted as needed.

Health Education Authority of Louisiana

Notes to Financial Statements

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For the purpose of the statement of net position and statement of cash flows, cash and cash equivalents include all demand accounts of HEAL with an original maturity of 90 days or less.

Capital Assets

Capital assets with a cost of \$500 or more are reported at cost in the statement of net position. Repairs and maintenance are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful life as follows:

Office furniture and equipment	5 years
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Compensated Absences

Employees of HEAL, both classified and unclassified, earn annual and sick leave at various rates depending on the number of years of service. There is no limit on the amount of annual or sick leave that can be accumulated. HEAL is legally liable to compensate an employee upon retirement or termination for up to 300 hours of unused annual leave. Upon retirement, the number of hours of unused annual leave in excess of 300 hours plus the number of hours of unused sick leave is computed into years or fraction of years and is added to the number of years of service earned by the retiree. The unused annual and sick leave is counted towards the number of years serviced only for computing the rate of retirement pay due to the retiree and does not count toward the number of years necessary for retirement.

The cost of leave privileges is recognized as an expense and a liability in the financial statements in the period in which the leave is earned. The compensated absences liability is reported as a long-term liability with the portion expected to be paid within one year reported as a current liability and an expense allocated on a functional basis.

Post-Employment Health Care and Life Insurance Benefits

HEAL provides certain continuing health care and life insurance benefits for its retired employees. HEAL recognizes the expense of providing these retiree benefits in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Pension Plan

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Louisiana State Employees' Retirement System ("LASERS") and additions to/deductions from the LASERS' fiduciary net position have been determined on the same basis as they are reported by LASERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Health Education Authority of Louisiana

Notes to Financial Statements

Deferred Outflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This balance represents a consumption of net position that applies to a future period(s) and is not recognized as an outflow of resources (expenses) until then. HEAL has the following items that qualify for reporting in this category:

Pension plan – these deferred outflows result from pension contributions after the measurement date (deferred and recognized in the following fiscal year) and changes in assumptions, differences in projected and actual earnings on pension assets, and changes in proportion and differences between employer contributions and proportionate share of contributions (deferred and amortized over a closed five year period).

OPEB plan – these deferred outflows result from OPEB contributions after the measurement date (deferred and recognized in the following fiscal year).

Deferred Inflows of Resources

Deferred inflows of resources are acquisitions of net position by HEAL that is applicable to a future reporting period and so will not be recognized as an inflow of resources until then. HEAL has the following items that qualify for reporting in this category:

Pension plan – these deferred inflows result from differences between expected and actual experience and changes in proportion and differences between employer contributions and proportionate share of contributions (deferred and amortized over a closed five year period).

OPEB plan – these deferred inflows result from changes in assumptions and changes in proportion and differences between employer contributions and proportionate share of contributions (deferred and amortized over a closed five year period).

2. Deposits with Financial Institutions

For reporting purposes, deposits with financial institutions include demand deposits and certificates of deposit. Under state law, HEAL may deposit funds within a fiscal agent bank selected and designated by the Interim Emergency Board. Further, HEAL may invest in time certificates of deposit in any bank domiciled or having a branch office in the State of Louisiana; in savings accounts or shares of savings and loan associations and savings banks and in share accounts and share certificate accounts or federally or state chartered credit unions.

Deposits in bank accounts are stated at cost, which approximates market. Under state law these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent.

Health Education Authority of Louisiana

Notes to Financial Statements

HEAL's cash deposits at June 30, 2019 consisted of the following:

	Cash	Certificates of Deposit	Total
Deposits per Statement of Net position (reconciled bank balance)	\$ 115,737	\$ 1,379,554	\$ 1,495,291
Deposits in bank accounts per bank	\$ 115,737	\$ 1,379,554	\$ 1,495,291
Category 3 bank balances:			
a. Uninsured and uncollateralized	\$ -	\$ -	\$ -
b. Uninsured and collateralized with securities held by the pledging institution	-	-	-
c. Uninsured and collateralized with securities held by the pledging institution's trust department or agent, but not in HEAL's name	-	1,245,291	1,245,291
Total category 3 bank balances	\$ -	\$ 1,245,291	\$ 1,245,291

Custodial Deposit Risk

In the case of deposits, this is the risk that in the event of a bank failure, the deposits may not be returned to HEAL. As of June 30, 2019, \$1,245,291 of HEAL's deposits were collateralized with securities held by the pledging institution's trust department or agent but not in HEAL's name.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. HEAL does not have policies to limit concentration of credit risk.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of HEAL's certificates of deposit. Louisiana Revised Statute 49:327(C)(4) limits the maturity of investments in certificates of deposits to no more than 12 months after the date of their purchase. HEAL's certificates of deposit have stated maturities of over one year. However, per bank policy for public depositors, those certificates of deposit are redeemable anytime, outside of the initial seven day investment period, with no penalty and pay accrued interest up to the redemption date.

Health Education Authority of Louisiana

Notes to Financial Statements

3. Capital Assets

The following is a summary of changes in capital assets:

	Balance 06/30/18	Additions	Disposals	Balance 06/30/19
Office furniture and equipment	\$ 13,366	\$ -	\$ -	\$ 13,366
Accumulated depreciation	(12,313)	(1,053)	-	(13,366)
	<u>\$ 1,053</u>	<u>\$ (1,053)</u>	<u>\$ -</u>	<u>\$ -</u>

4. Noncurrent Liabilities

The following is a summary of changes in long-term liabilities:

	Balance at 06/30/18	Additions	Reductions	Balance at 06/30/19
Compensated absences	\$ 10,653	\$ -	\$ (10,653)	\$ -

5. Lease Revenues

HEAL entered into a lease agreement with APCOA LaSalle Parking Company, LLC to manage and operate a parking garage owned by the State of Louisiana through December 31, 2030. The lease agreement is considered to be a capital lease, and accordingly, the parking facility is reflected on the financial records of the management company.

HEAL receives minimum lease payments in connection with the lease. This lease payment increases by 3% each year. In addition, HEAL receives percentage rent payments under the lease agreement based upon an agreed-upon formula. For the year ended June 30, 2019, HEAL did not report fees from APCOA LaSalle Parking Company, LLC. The minimum required lease revenues for future years is as follows:

For the Year Ended June 30	Amount
2020	\$ 270,917
2021	279,044
2022	287,416
2023	296,038
2024	304,919
Thereafter	<u>2,792,786</u>
	<u>\$ 4,231,120</u>

Health Education Authority of Louisiana

Notes to Financial Statements

HEAL has a servitude agreement with the Tulane Education Fund (Tulane), which guarantees parking contracts for Tulane affiliates. Under the contract, Tulane has agreed to service the payments of the debt obligation throughout the life of the bond in exchange for use of the facility. Payments in excess of debt service obligations are returned to HEAL annually.

6. Conduit Debt Obligations

In 1998, HEAL entered into an agreement with the Board of Administrators of the Tulane Educational Fund (Tulane University of Louisiana) to issue \$9,350,000 in bonds for the extension of and improvements to HEAL's existing parking garage, and the addition of a sky bridge to connect to the Tulane Medical School. In July 2015, HEAL issued \$6,645,000 of Series 2015 Revenue Refunding Bonds. The purpose of the issue was for advance refunding of the prior bonds and paying the costs of issuance of the bonds. The bonds are secured by the building's improvements, and are payable solely from income and revenues derived from Tulane.

The bonds shall never constitute an indebtedness or pledge of the general credit of HEAL or the State of Louisiana within the meaning of any constitutional or statutory limitation of indebtedness or otherwise. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. Upon repayment of the bonds, ownership of the acquired improvements transfers to HEAL.

The annual requirements to amortize the bonds outstanding at June 30, 2019, are as follows:

For the Year Ended June 30	Principal	Interest	Total
2020	\$ 385,000	\$ 235,739	\$ 620,739
2021	405,000	218,161	623,161
2022	415,000	199,916	614,916
2023	425,000	181,226	606,226
2024	435,000	162,091	597,091
Thereafter	3,425,000	553,691	3,978,691
	<u>\$ 5,490,000</u>	<u>\$ 1,550,824</u>	<u>\$ 7,040,824</u>

7. Pension Plan

HEAL is a participating employer in a statewide, public employee retirement system, the Louisiana State Employees' Retirement System ("LASERS"). LASERS has a separate board of trustees and administers a cost-sharing, multiple-employer defined benefit pension plan, including classes of employees with different benefits and contribution rates ("subplans"). Article X, Section 29(F) of the Louisiana Constitution of 1974 assigns the authority to establish and amend benefit provisions of all sub-plans administered by LASERS to the State Legislature. LASERS issues a public report that includes financial statements and required supplementary information, and a copy of the report may be obtained at www.lasersonline.org.

Health Education Authority of Louisiana

Notes to Financial Statements

Plan Descriptions/Benefits Provided

LASERS administers a plan to provide retirement, disability, and survivor benefits to eligible state employees and their beneficiaries as defined in R.S. 11:411-414. The age and years of creditable service ("service") required in order for a member to receive retirement benefits are established by R.S. 11:441 and vary depending on the member's hire date, employer and job classification. Act 992 of the 2010 Regular Legislative Session closed existing sub-plans for members hired before January 1, 2011, and created new subplans for regular members, hazardous duty members, and judges.

The substantial majority of members may retire with full benefits at any age upon completing 30 years of service and at age 60 upon completing 5-10 years of service. Additionally, members may choose to retire with 20 years of service at any age, with an actuarially reduced benefit. Eligibility for retirement benefits and the computation of retirement benefits are provided for in R.S. 11:444. The basic annual retirement benefit for members is equal to a percentage (between 2.5% and 3.5%) of average compensation multiplied by the number of years of service, generally not to exceed 100% of average compensation. Average compensation is defined as the member's average annual earned compensation for the highest 36 consecutive months of employment for members employed prior to July 1, 2006, or highest 60 consecutive months of employment for members employed after that date. A member leaving service before attaining minimum retirement but after completing certain minimum service requirements, generally 10 years, becomes eligible for a benefit provided the member lives to the minimum service retirement age and does not withdraw the accumulated contributions.

Eligibility requirements and benefit computations for disability benefits are provided for in R.S. 11:461. All members with 10 or more years of service or members aged 60 or older regardless of date of hire who become disabled may receive a maximum disability benefit equivalent to the regular retirement formula without reduction by reason of age. Hazardous duty personnel who become disabled in the line of duty will receive a disability benefit equal to 75% of final average compensation.

Provisions for survivor benefits are provided for in R.S. 11:471-478. Under these statutes, the deceased member who was in state service at the time of death must have a minimum of five years of service, at least two of which were earned immediately prior to death, or who has a minimum of 20 years of service regardless of when earned in order for a benefit to be paid to a minor or handicapped child. Benefits are payable to an unmarried child until age 18 or age 23 if the child remains a full-time student. The minimum service requirement is 10 years for a surviving spouse with no minor children, and benefits are to be paid for life to the spouse or qualified handicapped child.

LASERS has established a Deferred Retirement Option Plan (DROP). When members enter DROP, their status changes from active member to retiree even though they continue to work and draw their salary for a period up to three years. The election is irrevocable once participation begins. During participation, benefits otherwise payable are fixed and deposited in an individual DROP account. Upon leaving DROP, members must choose among available alternatives for the distribution of benefits that have accumulated in their DROP accounts.

Cost of Living Adjustments

As fully described in Title 11 of the Louisiana Revised Statutes, LASERS allows for the payment of cost of living adjustments, or COLAs, that are funded through investment earnings when recommended by the board of trustees and approved by the Legislature. These ad hoc COLAs are not considered to be substantively automatic.

Health Education Authority of Louisiana

Notes to Financial Statements

Contributions

Article X, Section 29(E)(2)(a) of the Louisiana Constitution of 1974 assigns the Legislature the authority to determine employee contributions. Employer contributions are actuarially determined using statutorily established methods on an annual basis and are constitutionally required to cover the employer's portion of the normal cost and provide for the amortization of the unfunded accrued liability. Employer contributions are adopted by the Legislature annually upon recommendation of the Public Retirement Systems' Actuarial Committee. Employer contributions to LASERS for the fiscal year ended June 30, 2019 were \$36,369, with active member contributions of 8%, and employer contributions of 37.90%

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2019, HEAL reported a liability of \$233,173 for its proportionate share of the LASERS net pension liability. The net pension liability for LASERS was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. HEAL's proportion of the net pension liability was based on projections of HEAL's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. As of June 30, 2018, the most recent measurement date, HEAL's proportion was 0.00342%, a decrease of 0.00552% from the proportion of 0.00894% as of the June 30, 2017 measurement date.

For the year ended June 30, 2019, HEAL recognized a total pension expense of \$4,275. HEAL reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 2,615
Changes in assumptions	2,373	-
Net difference between projected and actual earnings on plan investments	3,023	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	-
Employer contributions subsequent to the measurement date	-	-
	<u>\$ 5,396</u>	<u>\$ 2,615</u>

Deferred outflows of resources related to pensions resulting from HEAL's contributions subsequent to the measurement date will be recognized as a reduction of the LASERS net pension liability in the next fiscal year.

Health Education Authority of Louisiana

Notes to Financial Statements

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Period Ended:	Amount
6/30/2020	\$ 6,621
6/30/2021	2,712
6/30/2022	(5,698)
6/30/2023	(854)
	<u>\$ 2,781</u>

Actuarial Assumptions

The total pension liability for LASERS in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurements:

Valuation date	June 30, 2018
Actuarial cost method	Entry age normal cost
Estimated remaining service life ("ERSL")	3 years
Investment rate of return	7.65% per annum
Inflation rate	2.75%
Salary increases, including inflation and merit increases	3.8% to 12.8%, including inflation
Cost of living adjustments	Not substantively automatic
Mortality rate	
Non-disabled members	Mortality rates based on the RP-2000 Combined Healthy Mortality Table
Disabled members	Mortality rates based on the RP-2000 Disabled Retiree Mortality Table
Termination, disability, and retirement	Termination, disability, and retirement assumptions were projected based on a five-year (2009-2013) experience study of the System's members

Health Education Authority of Louisiana

Notes to Financial Statements

The long-term expected rate of return was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and an adjustment for the effect of rebalancing/diversification. The target allocation and best estimates of arithmetic/geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Expected Portfolio Real Rate of Return
Cash	-0.48%
Domestic equity	4.31%
International equity	5.26%
Domestic fixed income	1.49%
International fixed income	2.23%
Alternative investments	7.67%
Risk parity	4.96%
Total fund	5.40%

Discount Rate

The discount rate used to measure the total pension liability was 7.65%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions from participating employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents HEAL's proportionate share of the net pension liability using the current discount rate as well as what HEAL's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate:

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
Employer's proportionate share of the net pension liability	\$ 294,280	\$ 233,173	\$ 180,545

Pension Plan Fiduciary Net Position

Detailed information about LASERS fiduciary net position is available in the separately issued financial reports referenced above.

Health Education Authority of Louisiana

Notes to Financial Statements

Payables to the Pension Plan

At June 30, 2019, HEAL reported no payables to the pension plan.

8. Post-Employment Health Care and Life Insurance Benefits

Plan Description

The Office of Group Benefits (“OGB”) administers the State of Louisiana’s post-retirement benefits plan – a defined benefit, multiple-employer other postemployment benefit plan (“OPEB”). OPEB provides medical, prescription drug, and life insurance benefits to retirees, disabled retirees, and their eligible beneficiaries through premium subsidies. Current employees, who participate in an OGB health plan, while active, are eligible for plan benefits if they are enrolled in the OGB health plan immediately before the date of retirement and retire under one of the state sponsored retirement systems (Louisiana State Employees’ Retirement System, Teachers’ Retirement System of Louisiana, Louisiana School Employees’ Retirement System, or Louisiana State Police Retirement System,) or they retire from a participating employer that meets the qualifications in the Louisiana Administrative Code 32:3.303. Benefit provisions are established under R.S. 42:851 for health insurance benefits and R.S. 42:821 for life insurance benefits. The obligations of the plan members, employer(s), and other contributing entities to contribute to the plan are established or may be amended under the authority of R.S. 42:802.

There are no assets accumulated in a trust that meets the criteria of paragraph 4 of GASB Statement 75. Effective July 1, 2008, an OPEB trust fund was statutorily established; however, this plan is not administered as a trust and no plan assets have been accumulated as of June 30, 2019. The plan is funded on a “pay-as-you-go basis” under which the contributions to the plan are generally made at about the same time and in about the same amount as benefit payments become due.

Employer contributions are based on plan premiums and the employer contribution percentage. Premium amounts vary depending on the health plan selected and if the retired member has Medicare coverage. OGB offers retirees four self-insured healthcare plans and one fully insured plan. Retired employees who have Medicare Part A and Part B coverage also have access to four fully insured Medicare Advantage plans.

The employer contribution percentage is based on the date of participation in an OGB plan and employee years of service at retirement. Employees who begin participation or rejoin the plan before January 1, 2002, pay approximately 25% of the cost of coverage (except single retirees under age 65, who pay approximately 25% of the active employee cost). For those beginning participation or rejoining on or after January 1, 2002, the percentage of premiums contributed by the employer and retiree is based on the following schedule:

<u>Service</u>	<u>Employer Percentage</u>	<u>Employee Percentage</u>
Under 10 years	19%	81%
10-14 years	38%	62%
15-19 years	56%	44%
20+ years	75%	25%

Health Education Authority of Louisiana

Notes to Financial Statements

In addition to healthcare benefits, retirees may elect to receive life insurance benefits. Basic and supplemental life insurance is available for the individual retirees and spouses of retirees subject to maximum values. Employers pay approximately 50% of monthly premiums for individual retirees. The retiree is responsible for 100% of the premium for dependents. Effective January 1, 2018, the total monthly premium for retirees varies according to age group.

Total Collective OPEB Liability and Changes in Total Collective OPEB Liability

At June 30, 2019, HEAL reported a liability of \$166,697 for its proportionate share of the total collective OPEB liability. The total collective OPEB liability was measured as of July 1, 2018, and was determined by an actuarial valuation as of that date.

HEAL's proportionate share percentage is based on the employer's individual OPEB actuarial accrued liability in relation to the total OPEB actuarial accrued liability for all participating entities included in the State of Louisiana reporting entity. At the measurement dates of July 1, 2018 and 2017, HEAL's proportion was 0.0020% and 0.0025%, respectively; a decline of 0.0005%.

The total collective OPEB liability in the July 1, 2018 actuarial valuation was determined using the following actuarial methods, assumptions, and other inputs applied to all periods included in the measurement, unless otherwise specified:

- Actuarial cost method – entry age normal, level percentage of pay
- Estimated remaining service lives – 4.8
- Inflation rate – Consumer Price Index (CPI) 2.8%
- Salary increase rate – consistent with the State of Louisiana's pension plan
- Discount rate – 2.98% based on June 29, 2018 Standard & Poor's 20-year municipal bond index rate
- Mortality rates – based on the RP-2014 Combined Healthy Mortality Table, or RP-2014 Disabled Retiree Mortality Table; both tables projected on a fully generational basis by Mortality Improvement Scale MP-2017.
- Healthcare cost trend rates – 7% for pre-Medicare eligible employees grading down by 0.25% each year, beginning in 2020-2021, to an ultimate rate of 4.5% in 2029; 5.5% for post-Medicare eligible employees grading down by 0.25% each year, beginning in 2020-2021, to an ultimate rate of 4.5% in 2023-2024 and thereafter; the initial trend was developed using the National Health Care Trend Survey; the ultimate trend was developed using a building block approach which considers the Consumer Price Index, gross domestic product, and technology growth.

Changes of assumptions and other inputs reflect a change in the discount rate from 3.13% as of July 1, 2017, to 2.98% as of July 1, 2018.

Health Education Authority of Louisiana

Notes to Financial Statements

Sensitivity of the Proportionate Share of the Total Collective OPEB Liability to Changes in the Discount Rate. The following presents HEAL's proportionate share of the total collective OPEB liability using the current discount rate as well as what HEAL's proportionate share of the total collective OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate:

	1.0% Decrease (1.98%)	Current Discount Rate (2.98%)	1.0% Increase (3.98%)
Employer's total OPEB liability	\$ 206,900	\$ 166,697	\$ 135,738

Sensitivity of the Proportionate Share of the Total Collective OPEB Liability to Changes in the Healthcare Cost Trend Rates. The following presents HEAL's proportionate share of the total collective OPEB liability using the current healthcare cost trend rates as well as what HEAL's proportionate share of the total collective OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current rates:

	1.0% Decrease (6.00%)	Current Cost Trend Rate (7.00%)	1.0% Increase (8.00%)
Proportionate share of total collective OPEB liability	\$ 130,567	\$ 166,697	\$ 215,305

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. For the year ended June 30, 2019, HEAL recognized OPEB expense of \$2,810. At June 30, 2019, HEAL reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 727
Changes in assumptions	-	11,231
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	49,701
Employer contributions subsequent to the measurement date	-	-
	\$ -	\$ 61,659

Health Education Authority of Louisiana

Notes to Financial Statements

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Period Ended:</u>	<u>Amount</u>
6/30/2020	\$ (18,839)
6/30/2021	(18,839)
6/30/2022	(16,659)
6/30/2023	(7,322)
	<u>\$ (61,659)</u>

Payables to the OPEB Plan

At June 30, 2019, HEAL had no outstanding amount of employer contributions to the plan.

9. Cooperative Endeavor Agreement

On April 26, 2018, HEAL entered into a cooperative endeavor agreement (the “Agreement”) with Division of Administration, State of Louisiana (the “Division”) to manage, operate, and administer HEAL’s parking garage and assume all expenses related thereto subject to the rights and obligations of APCOA LaSalle Parking Company, LLC included in the lease operating agreement between HEAL and APCOA LaSalle Parking Company, LLC. HEAL has determined that the Division has more adequate financial and staffing resources to manage, operate, and administer HEAL parking garage.

As part of the agreement, HEAL transferred to the Division the right of use and access to the parking garage and all of the equipment, vehicles, supplies, books, records, documents, papers, and the non-refundable sum of \$400,000. In addition, HEAL is to transfer and assign to the Division all income derived from the parking garage beginning the 2019 fiscal year. The term of the Agreement shall continue until December 31, 2030 unless cancelled by either party with 30 days written notice.

10. Risk Management

HEAL is exposed to various risks of loss related to workers' compensation; torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to the public; and natural disasters for which HEAL carries commercial insurance or other insurance for the losses to which it is exposed. HEAL's premiums for general liability are based on various factors such as its operations and maintenance budget, exposure and claims experience.

11. Economic Dependency

The parking garage revenue is HEAL’s primary source of revenue. Loss of this revenue would result in HEAL’s inability to maintain its current level of operations. However, management considers the likelihood of loss of this income remote, as the current lease is in effect until December 31, 2030.

Health Education Authority of Louisiana

Notes to Financial Statements

12. Compensation of Board Members

The following schedule presents HEAL's board members and compensation paid to each during the year ended June 30, 2019:

<u>Board Member</u>	<u>Amount</u>
Genevieve Pope	\$ -
Raegan Carter	-
Zazell Dudley	-
Gwendolyn Hamilton	-
Charles New	-
	<u>\$ -</u>

13. Subsequent Events

Subsequent events were evaluated by management through May 4, 2021, which is the date the financial statements were available to be issued.

Health Education Authority of Louisiana
Schedule of Employer's Proportionate Share of Net Pension Liability
For the Year Ended June 30, 2019

<u>Fiscal Year*</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered Employee Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
2018	0.00894%	\$ 629,553	\$ 166,759	378%	62.5%
2019	0.00342%	233,173	66,165	352%	64.3%

*Amounts presented were determined as of the measurement date (previous fiscal year end).

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Health Education Authority of Louisiana
Schedule of Employer's Pension Contributions
For the Year Ended June 30, 2019

<u>Fiscal Year*</u>	<u>Statutorily Required Contribution</u>	<u>Contributions in Relation to the Statutorily Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Employee Payroll</u>	<u>Contributions as a Percentage of Covered Employee Payroll</u>
2018	\$ 47,072	\$ 47,072	\$ -	\$ 124,200	37.9%
2019	36,369	36,369		95,958	37.9%

*Amounts presented were determined as of the end of HEAL's fiscal year.

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Health Education Authority of Louisiana
Schedule of Employer's Proportionate Share of the Total Collective OPEB Liability
For the Year Ended June 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Proportion of the total collective OPEB liability	0.0020%	0.0025%	0.0025%
Proportionate share of the total collective OPEB liability	\$ 166,697	\$ 220,120	\$ 229,800
HEAL's covered employee payroll	\$ 66,165	\$ 179,586	\$ 166,754
HEAL's proportionate share of the total collective OPEB liability as a percentage of the covered employee payroll	251.94%	122.57%	137.81%

Amounts presented were determined as of the measurement date (previous fiscal year end).

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Health Education Authority of Louisiana

Notes to Required Supplementary Information

Pension Plan

Changes of Benefit Terms

A 1.5% COLA, effective July 1, 2014, provided by Act 102 of the 2014 Louisiana Regular Legislative Session, and improved benefits for certain members employed by the Office of Adult Probation and Parole within the Department of Public Safety and Corrections as established by Act 852 of 2014.

Changes of Assumptions

The discount rate used in actuarial assumptions decreased from 7.70% in the June 30, 2017 valuation to 7.65% in the June 30, 2018 valuation.

Measurement Date

The amounts presented within the Schedule of Employer's Share of Net Pension Liability have a measurement date of the previous fiscal year end.

OPEB Schedules

There are no assets accumulated in a trust that meets the requirements in paragraph 4 of GASB Statement 75 to pay related benefits.

Changes of Assumptions

The discount rate has been decreased from 3.13% to 2.98% since the previous valuation. Additionally, a discount rate of 3.80% was used to measure the liability with a measurement date of July 1, 2017. Under GASB 75, unfunded plans are required to use a discount rate that reflects the 20-year tax-exempt municipal bond yield or index rate. Thus, the discount rates of 2.98% and 3.13% are based on the S&P Municipal Bond 20-Year High Grade Rate Index as of June 30, 2018 and June 30, 2017, respectively. The discount rate used in the GASB 45 valuation was selected by the plan sponsor.

Changes in Population

From the July 1, 2017 valuation date to the July 1, 2018 valuation date, HEAL had no changes in population.

***Reports Required by
Government Auditing Standards***

**Independent Auditor's Report on Internal Control Over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the Board of Commissioners
Health Education Authority of Louisiana
Baton Rouge, Louisiana

We were engaged to audit, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Health Education Authority of Louisiana ("HEAL") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise HEAL's basic financial statements, and have issued our report thereon dated May 4, 2021. Our report disclaims an opinion on such financial statements because revenues earned by HEAL and expenses incurred by HEAL may not have been recorded to the accounting records.

Internal Control Over Financial Reporting

In connection with our engagement to audit the financial statements, we considered HEAL's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of HEAL's internal control. Accordingly, we do not express an opinion on the effectiveness of HEAL's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of HEAL's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item **2019-1** that we consider to be a material weakness.

Compliance and Other Matters

In connection with our engagement to audit the financial statements, we performed tests of HEAL's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as items **2019-2** and **2019-3**.

HEAL's Response to the Findings

HEAL's response to the findings identified in our audit is included within the schedule of findings. HEAL's response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of HEAL's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering HEAL's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Covington, Louisiana
May 4, 2021

Health Education Authority of Louisiana
Summary of Auditor's Results and Schedule of Findings
For the Year Ended June 30, 2019

A. Summary of Auditor's Results

a. Financial Statements

Type of auditors' report issued: Disclaimer

b. Internal control over financial reporting:

Material weaknesses identified	<u>✓</u> yes	<u> </u> no
Significant deficiencies identified not considered to be material weaknesses	<u> </u> yes	<u>✓</u> none noted
c. Noncompliance material to financial statements noted	<u>✓</u> yes	<u> </u> no

B. Findings in Accordance with *Government Auditing Standards*

2019-1 Material Weakness in Internal Controls: Financial Accounting and Reporting

Criteria

For government entities to achieve the objective of accountability, financial information must be reliable for reasonably informed users of the financial statements.

Condition

We noted the following items related to HEAL's accounting records that, when considered in the aggregate, were considered to be a material weakness in internal controls:

- HEAL's trial balance contained numerous inconsistencies within account balances, including: cash, receivables, payables, net position, revenues, and expenses
- No process in place to complete reconciliations of bank accounts, certificates of deposit, accounts receivable, accounts payable, or net position to determine whether or not balances are complete and accurate.
- No process in place to record invoices paid on HEAL's behalf by a third party entity.

Cause

The primary cause is a general lack of formalized policies and procedures in place to cover the accounting and oversight of HEAL's daily operations.

Health Education Authority of Louisiana
Summary of Auditor's Results and Schedule of Findings (Continued)
For the Year Ended June 30, 2019

Effect

We were unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded transactions and the elements making up the statement of net position; statement of revenues, expenses, and changes in net position; and statement of cash flows. This has resulted in a disclaimer of opinion on the June 30, 2019 financial statements.

Recommendation

We recommend management to review the current procedures for key processes, including the preparation of monthly reconciliations, accounting close process, and determine the appropriateness of those processes for preventing and detecting misstatements and preparing a reliable / accurate trial balance. Once HEAL has redefined these processes, job descriptions should be developed to support these processes to ensure responsibilities and accountability are put into place for the processes.

Management's Response and Corrective Action Plan

HEAL will review its current procedures for key processes and make appropriate changes. Reconciliations, a trial balance, adjusting entries, and the adjusted trial balance will be reviewed by management prior to the close of each accounting period. Financial statements will be prepared and reviewed by management after the close of each accounting period.

2019-2 Compliance: Ethics Training

Criteria

Public servants are required to take one hour of training per calendar year on the Code of Governmental Ethics pursuant to LA R.S.42:1170A.

Condition

A search of the Louisiana Board of Ethics website revealed that two board members did not complete the required annual ethics training during the year. By law, each public servant is required to receive at least one hour of education and training on the Code of Governmental Ethics during each year of public employment or term of office.

Cause

There are no policies and procedures in place that address the ethics training requirements. As a result, some board members and employees overlooked the training requirements.

Effect

Violation of Louisiana R.S. 42:1170A.

Recommendation

HEAL's board should adopt policies and procedures that address the need for all board members and employees to complete the required ethics training every calendar year.

Management's Response and Corrective Action Plan

HEAL will adopt the necessary policies and procedures to ensure all board members complete the required ethics training.

Health Education Authority of Louisiana
Summary of Auditor's Results and Schedule of Findings (*Continued*)
For the Year Ended June 30, 2019

2019-3 Late Submission of Audited Financial Statements

Criteria

HEAL must follow state audit and reporting requirements established by the Louisiana Legislative Auditor and Louisiana R.S. 24:513-556. State entities are required to have an annual audit, and they must submit their audits to the Legislative Auditor's Office by six months after their fiscal year end.

Condition

The June 30, 2019 audited financial statements were not filed within six months of the close of the fiscal year.

Cause

HEAL underwent significant changes to management and the structure of the board, resulting in the audit beginning after the due date.

Effect

HEAL is not in compliance with Louisiana R.S. 24.513-556.

Recommendation

We recommend HEAL's newly implemented board to provide oversight over the financial reporting processes to ensure the audit begins in a timely manner going forward.

Management's Response and Corrective Action Plan

HEAL will review its current procedures for key processes and make appropriate changes. Transactions will be accounted for in a timely manner and management will review monthly financial reports. Financial statements will be prepared and reviewed by management after the close of each accounting period to ensure timely reporting.

Health Education Authority of Louisiana
Summary Schedule of Prior Year Findings
For the Year Ended June 30, 2019

**A. Findings Relating to the Financial Statement Reported in Accordance with
*Government Auditing Standards***

2018-1 Material Weakness: Segregation of Duties

Criteria

Segregation of duties is a basic building block of sustainable risk management and internal controls. The principle of segregation of duties is based on shared responsibilities of a key process that disperses the critical functions of that process to more than one person.

Condition

HEAL's executive director had check signing authority, access to the blank check stock, and access to credit cards while having unlimited access to HEAL's accounting software.

Cause

HEAL's budget provides funding for only a limited number of personnel for certain functions.

Effect

Without the separation in key processes, fraud and error risks are far less manageable and misstatements caused by errors and/or fraud may go undetected.

Recommendation

Individuals with check signing authority and access to the blank check stock and credit cards should have limited access to the accounting software. We recommend HEAL's board members to take over the duty of signing checks.

Update

This finding has been addressed. The Louisiana Division of Administration now provides oversight of HEAL.

2018-2 Material Weakness in Internal Controls over Payroll

Criteria

Internal control policies and procedures should provide reasonable assurance regarding the reliability of the financial reporting procedures, including the accuracy of payroll expenses and related liabilities being reported.

Condition

Our audit testing indicated management and employees' did not maintain supporting documentation for the number of hours worked per pay period. HEAL's payroll administrator logged into the payroll software and manually entered each staff member's hours without the use of timesheets or other documentation to evidence management's approval of hours/time worked.

Cause

Management has not placed sufficient emphasis on ensuring that employee time sheets are approved prior to payment.

Health Education Authority of Louisiana
Summary Schedule of Prior Year Findings (*Continued*)
For the Year Ended June 30, 2019

Effect

The lack of effective controls over payroll disbursements increases the risk of errors and/or fraud not being detected in a timely manner, including employees being compensated for hours not worked and the overstatement of accrued leave and sick leave balances.

Recommendation

Management should implement controls to ensure that adequate supporting documentation is obtained and maintained, including appropriate supervisory approvals, to support payments to employees. This can be done with the implementation of an employee time clock that requires employees to clock in and out each day. In addition, we recommend employees to complete a leave request form when absent and management or a board member sign the request form as evidence of approval.

Update

This finding has been addressed. The Louisiana Division of Administration now provides oversight of HEAL, and HEAL has no employees as of the report release date.

2018-3 Compliance: Disallowed Disbursement

Criteria

Louisiana Civil Service Rule 11.10 allows an employee to be paid for up to 300 hours of accrued annual leave when he/she separates from state service as a form of severance pay.

Condition

Our audit testing indicated the executive director was compensated \$29,016 for 600 hours of accrued leave upon separation from HEAL. This was an overpayment of \$14,508.

Cause

There appears to be a lack of understanding regarding civil service rules.

Effect

This resulted in public dollars being used for a disallowed payment.

Recommendation

HEAL's board should contact the executive director to request repayment of \$14,508. If the request is denied, HEAL should obtain legal counsel to recoup the public's funds.

Update

HEAL recuperated \$13,499 to date; a balance of \$1,009 remains outstanding.

2018-4 Compliance: Ethics Training

Criteria

Public servants are required to take one hour of training per calendar year on the Code of Governmental Ethics pursuant to LA R.S.42:1170A.

Health Education Authority of Louisiana
Summary Schedule of Prior Year Findings (*Continued*)
For the Year Ended June 30, 2019

Condition

A search of the Louisiana Board of Ethics website revealed that three employees and two board members did not complete the required annual ethics training during the year. By law, each public servant is required to receive at least one hour of education and training on the Code of Governmental Ethics during each year of public employment or term of office.

Cause

There are no policies and procedures in place that address the ethics training requirements. As a result, some board members and employees overlooked the training requirements.

Effect

Violation of Louisiana R.S. 42:1170A.

Recommendation

HEAL's board should adopt policies and procedures that address the need for all board members and employees to complete the required ethics training every calendar year.

Update

This finding has not been properly addressed and has been repeated in the June 30, 2019 fiscal year.

2018-5 Compliance: Late Submission of Audited Financial Statements

Criteria

HEAL must follow state audit and reporting requirements established by the Louisiana Legislative Auditor and Louisiana R.S. 24:513-556. State entities are required to have an annual audit, and they must submit their audits to the Legislative Auditor's Office by six months after their fiscal year end.

Condition

The June 30, 2018 audited financial statements were not filed within six months of the close of the fiscal year.

Cause

HEAL underwent significant changes to management and the structure of the board, resulting in the audit beginning after the due date.

Effect

HEAL is not in compliance with Louisiana R.S. 24:513-556.

Recommendation

We recommend HEAL's newly implemented board to provide oversight over the financial reporting processes to ensure the audit begins in a timely manner going forward.

Update

This finding has not been properly addressed and has been repeated in the June 30, 2019 fiscal year.